

LETTER OF INTENT

This Letter of Intent (together with the Term Sheet attached hereto as Exhibit A, the "**Letter of Intent**") is entered into on May 10, 2006 (the "**Effective Date**") between **Green Mountain Power Corporation**, a Vermont Corporation, having offices at 163 Acorn Lane, Colchester, VT 05446, ("**GMP**") and **PPM ENERGY, INC.**, an Oregon corporation, having its offices at 1125 NW Couch Street, Suite 700, Portland, OR 97209 ("**PPM**"). GMP and PPM are jointly referred to as the "**Parties**" and individually as a "**Party**."

RECITALS

PPM and GMP are entering into discussions in which they are considering a transaction (the "**Proposed Transaction**") pursuant to which PPM would sell and GMP would purchase up to 50% of the output of energy and environmental attributes from the Deerfield wind power generation project proposed to be developed by PPM in Readsboro and Searsburg, Vermont (the "**Project**").

NOW THEREFORE, the Parties agree as follows:

ARTICLE 1. OBJECTIVE

The objective of this Letter of Intent is to set forth the mutual understandings and intentions of the Parties relating to the Project which are based upon the non-binding, indicative terms set forth on the Term Sheet attached hereto as Exhibit A (the "**Term Sheet**").

ARTICLE 2. EXCLUSIVITY

Section 2.1 In consideration of the time and effort that the Parties will devote to the negotiations and evaluation contemplated by this Letter of Intent, PPM and GMP agree that from the Effective Date of this Letter of Intent through December 1, 2006 (the "**Exclusive Period**"), GMP shall not solicit Renewable Energy Credits or other environmental attributes from sources other than the Project and PPM shall not directly or indirectly solicit or respond to offers from any person or entity other than GMP relating to the development and or sale of energy or environmental attributes from the Project, provided, however, that (a) PPM will not be precluded from soliciting or responding to offers from any person that is not a Vermont Party relating to the sale of all or a portion of the 50% of the energy or environmental attributes produced by the Project that are not the subject of the Proposed Transaction (the "**Remaining Output**"), (b) PPM may solicit or respond to offers from a Vermont Party for the Remaining Output if PPM advises GMP in writing in advance of its intent to make such solicitation or response and provides GMP a period of at least five business days to elect, by written notice to PPM, to include the portion of the Remaining Output that is to be the subject of such solicitation or response as part of the Proposed Transaction under this Letter of Intent and (c) GMP may solicit Renewable Energy Credits or other environmental attributes for purchase and delivery during the period prior to December 31, 2008, which is the scheduled commercial operation date for the Project. As used in this Section 2.1, a "**Vermont Party**" is a public or investor owned utility or other entity or organization engaged in the purchase and sale of energy and/or environmental attributes, which

utility, entity or organization has its principal place of business in, or retail customers located within, the State of Vermont.

ARTICLE 3. EFFECT OF THIS LETTER OF INTENT

Section 3.1 This Letter of Intent:

(a) does not constitute a legally binding offer or agreement to consummate the Project or any other transaction or enter into any agreements; and

(b) does not constitute the basis for an agreement by estoppel or otherwise.

Rather, the Parties hereby agree that this Letter of Intent is intended as a statement of the Parties' mutual intent and understanding as of the date hereof to proceed with the negotiation of the terms of a power purchase agreement between PPM and GMP, the "**Definitive Agreement**") during the term of this Letter of Intent. Any actions taken by a Party or any other person in reliance on the non-binding terms expressed in this Letter of Intent or statements made (whether orally or in writing) during the negotiations between the Parties shall be at that Party's own risk, and neither this Letter of Intent nor any actions or statements (whether written or oral) made by a Party during the course of negotiation of the Definitive Agreement shall be the basis for a contract by estoppel, implied contract or any other legal theory. Unless and until the Definitive Agreement has been duly authorized, executed and delivered by the Parties, no Party shall have any legal obligations to the other, expressed or implied, or arising in any manner in the course of negotiations as contemplated by this Letter of Intent or under this Letter of Intent.

Any transaction that might arise from the activities of the Parties as contemplated by this Letter of Intent shall be contingent upon the due authorization, execution and delivery by the Parties of the Definitive Agreement, including without limitation the obtaining by each Party of all Board of Directors and management approvals and all other authorizing actions required to be taken by each Party under its organizational documents. No binding commitment shall arise prior to then even if the Parties reach some understanding(s) or agreement(s) in principle. Furthermore, the obligations of the Parties under the Definitive Agreement shall be contingent upon receipt of all governmental approvals and such other conditions precedent to closing, all as may be set forth in the Definitive Agreement.

Section 3.2 Notwithstanding the terms of Section 3.1 above or any termination of this Letter of Intent:

(a) the obligations of GMP and PPM under Section 2.1 shall be binding on the Parties until the earlier of the expiration of the Exclusive Period or the termination of this Letter of Intent by either Party;

(b) Articles 4, 5, 7, 8 and 9 of this Letter of Intent shall bind the Parties in accordance with their terms; and

(c) Article 6 of this Letter of Intent shall bind the Parties indefinitely.

Section 3.3 This Letter of Intent shall terminate upon the earlier of (a) delivery of written notice of termination by either Party at any time in its sole discretion for any reason to the other Party or (b) June 1, 2006, if the Definitive Agreement has not been executed and delivered prior to that date, unless extended by mutual agreement of the Parties.

ARTICLE 4. COSTS

Each Party shall bear its own costs and expenses (including fees of counsel and outside advisors) in connection with the preparation, negotiation and execution of this Letter of Intent (whether or not the Project is consummated), in connection with due diligence investigation and evaluation of the Project and in connection with the negotiation, authorization, execution and delivery of the Definitive Agreement.

ARTICLE 5. ANNOUNCEMENTS AND CONFIDENTIALITY

The Confidentiality Agreement dated October 3, 2005 between the Parties shall bind the Parties in accordance with its terms; *provided*, that notwithstanding anything to the contrary in the Confidentiality Agreement, the Parties (and each employee, representative or other agent of either Party) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the Project as it may, if at all, relate to the Definitive Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to either Party relating to such tax treatment and tax structure except to the extent confidentiality of such tax treatment or tax structure is reasonably necessary to comply with securities laws. This Letter of Intent is subject to such Confidentiality Agreement as amended by this Article 5. Notwithstanding the foregoing, this Letter of Intent and its terms may be disclosed to the Vermont Public Service Board, without being treated as confidential information, whether in connection with any proceeding concerning the Project, or otherwise.

ARTICLE 6. LIMITATION ON LIABILITY

IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY OR ITS REPRESENTATIVES FOR ANY SPECIAL, INDIRECT, NON-COMPENSATORY, CONSEQUENTIAL, INCIDENTAL, PUNITIVE OR EXEMPLARY DAMAGES OF ANY TYPE, INCLUDING LOSS OF BUSINESS OPPORTUNITY OR BUSINESS INTERRUPTION, WHETHER ARISING IN CONTRACT OR TORT (INCLUDING NEGLIGENCE, WHETHER SOLE, JOINT OR CONCURRENT OR STRICT LIABILITY) OR OTHERWISE, ARISING OUT OF THIS LETTER OF INTENT AND ANY ACTIONS OR OMISSIONS RELATED TO THE NEGOTIATION, AUTHORIZATION, EXECUTION AND DELIVERY OF DEFINITIVE AGREEMENTS BETWEEN THE PARTIES RELATED TO THE PROJECT.

ARTICLE 7. NO THIRD-PARTY BENEFICIARIES

This Letter of Intent is intended for the benefit of the Parties hereto and is not intended to and does not confer any benefit on third parties.

ARTICLE 8. CHOICE OF LAW, WAIVER OF JURY TRIAL

This Letter of Intent shall be governed by the laws of the state of Vermont without regard to its conflicts of laws principles. Each Party waives its respective right to any jury trial with respect to any litigation arising under or in connection with this Letter of Intent.

ARTICLE 9. COUNTERPARTS

This Letter of Intent may be executed in counterparts, each of which shall have the effect of and be considered as an original of this Letter of Intent.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have caused this Letter of Intent to be executed by their duly authorized representatives on the first date written above.

PPM ENERGY, INC.

By: 

Name: Jean Wilson

Title: Vice President Business Development

GREEN MOUNTAIN POWER CORP.

By: 

Name: Donald J. Rendall, Jr.

Title: Vice President & General Counsel

Attachment: Exhibit A

EXHIBIT A

TERM SHEET

SUMMARY COMMERCIAL TERMS OF A PROPOSED DEFINITIVE AGREEMENT FOR THE PURCHASE AND SALE OF POWER BETWEEN PPM ENERGY, INC. (PPM) AND GREEN MOUNTAIN POWER CORP. (GMP)

1. ROLE AND RESPONSIBILITIES OF THE PARTIES UNDER THE DEFINITIVE AGREEMENT

The roles and responsibilities of PPM would include:

- i. Developing the Project, at PPM's discretion, pursuant to a Project Schedule established and modified from time to time, as appropriate.
- ii. Funding or financing the development, construction and balance of plant costs of the Project.
- iii. Owning and operating the Project.

The roles and responsibilities of GMP would include the purchase and acceptance of the agreed portion of the energy and environmental attributes produced by the Project under the terms set forth in the Definitive Agreements.

2. SALE OF POWER

The Definitive Agreements would provide for the sale of up to 50% of energy and environmental attributes produced by the Project to GMP under the terms negotiated by the parties and reflected in the Definitive Agreement. Under the Definitive Agreement, PPM would be entitled, in its sole discretion, sell any test energy and environmental attributes produced prior to commercial operation and any power and environmental attributes in excess of the amount required to be sold to GMP pursuant to and during the term of the Definitive Agreement, whether resulting from subsequent expansion of the Project or otherwise, to GMP or other third parties selected by PPM in its sole discretion.

The Definitive Agreement would contain a provision providing for a sixty day period of negotiation during which the parties will, in good faith, attempt to negotiate an agreement respecting changes to the Project economics resulting from changes to the amount and or availability of the federal production tax credit. In the event the parties are unable to successfully negotiate an amendment to the Definitive Agreement during this sixty day period, the Definitive Agreement will provide for bilateral termination rights on December 31, 2008, if,

on or before such date, federal legislation has not been enacted providing for an extension of tax credits for wind energy facilities containing terms (including amount, duration and inflation adjustment) comparable to the federal production tax credit as in existence on December 31, 2007.

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